



GENERAL ASSEMBLY COMMONWEALTH OF KENTUCKY

2012 REGULAR SESSION

HOUSE BILL NO. 309

TUESDAY, FEBRUARY 7, 2012

The following bill was reported to the Senate from the House and ordered to be printed.

RECEIVED AND FILED
DATE April 11, 2012
2:42 p.m.
ALISON LUNDERGAN GRIMES
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
Mary L. Undergan

1 AN ACT relating to banking.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 286.3-280 is amended to read as follows:

4 (1) Except as provided in subsection (2) of this section, no bank or trust company shall
5 permit any person to become indebted to it or to become obligated as guarantor or
6 surety to it in an amount exceeding twenty per cent (20%) of its capital stock
7 actually paid in and its actual amount of surplus, unless the person pledges with it
8 good collateral security or executes to it a mortgage upon real or personal property
9 which at the time is of more than the cash value of the indebtedness or obligation
10 above all other encumbrances; but the indebtedness or obligation of any person
11 shall not exceed thirty percent (30%) of the paid-in capital and actual surplus of the
12 bank or trust company. When computing the total capital stock and surplus, the
13 negative balance of a bank's undivided profits account shall be deducted.

14 (2) A bank organized as a limited liability company shall not be covered by subsection
15 (1) of this section, but shall comply with the legal lending limits applicable to
16 national banks set forth in 12 U.S.C. sec. 84 and 12 C.F.R. sec. 32.4, as may be
17 amended.

18 (3) No bank or trust company shall permit any of its directors or executive officers to
19 become indebted to it or become obligated as guarantor or surety to it in an amount
20 which exceeds that which any other person is authorized by this section to become
21 indebted or obligated.

22 (4) ***In computing the indebtedness of any person:***

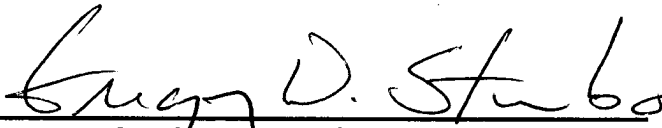
23 ***(a) The liability of any partnership in which the person acts as a general***
24 ***partner, and any obligation entered into for the benefit of a person,***
25 ***partnership, or association shall be included in the total liabilities of the***
26 ***person, partnership, or association; and***

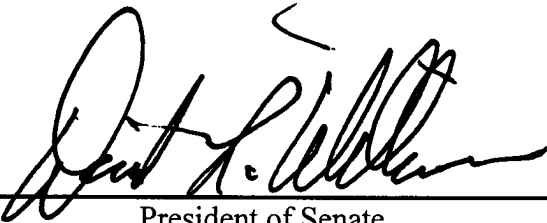
27 ***(b) Any credit exposure arising from a derivative transaction, repurchase***

1 agreement, reverse purchase agreement, securities lending transaction, or
 2 securities borrowing transaction shall be included. For the purposes of this
 3 paragraph, the term "derivative transaction" includes any transaction that
 4 is a contract, agreement, swap, warrant, note, or option that is based, in
 5 whole or in part, on the value of, any interest in, or any quantitative
 6 measure or the occurrence of any event relating to, one or more
 7 commodities, securities, currencies, interest or other rates, indices, or other
 8 assets~~[In computing the indebtedness of any person, the liability of any~~
 9 ~~partnership in which the person acts as a general partner shall be included, and~~
 10 ~~any obligation entered into for the benefit of a person, partnership or~~
 11 ~~association shall be included in the total liabilities of the person, partnership~~
 12 ~~or association].~~

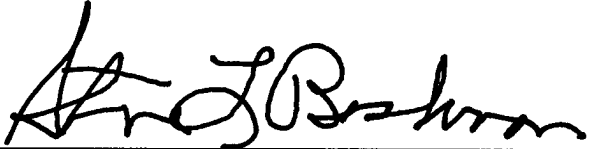
13 (5) Except as otherwise provided in this section, the same security, both in kind and
 14 amount, shall be required from stockholders as from nonstockholders.

15 (6) The discount of bills of exchange drawn against actually existing value, and the
 16 purchase or discounting of commercial or business paper actually owned by the
 17 person negotiating the paper shall not be considered as borrowed money within the
 18 meaning of this section in fixing the limit of indebtedness or obligation of any
 19 person selling or negotiating the paper to a bank.


Speaker-House of Representatives


President of Senate

Attest: 
Chief Clerk of House of Representatives

Approved 
Governor

Date 4-11-12